

General Fund Revenue Overview

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GENERAL FUND REVENUE OVERVIEW

SUMMARY OF GENERAL FUND REVENUE

Category	FY 2000 Actual	FY 2001 Revised Budget Plan	FY 2002 Advertised Budget Plan	FY 2002 Adopted Budget Plan	Over the FY 2002 Advertised Budget Plan	
					Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current and Delinquent	\$1,000,802,816	\$1,084,035,544	\$1,226,142,926	\$1,226,142,926	\$0	0.00%
Personal Property Taxes - Current and Delinquent ¹	398,230,240	434,585,980	440,225,562	446,181,232	5,955,670	1.35%
Other Local Taxes	343,196,780	356,672,408	372,204,163	372,204,163	0	0.00%
Permits, Fees and Regulatory Licenses	33,654,184	33,894,607	33,892,369	33,892,369	0	0.00%
Fines and Forfeitures	7,579,871	8,736,955	11,595,781	11,595,781	0	0.00%
Revenue from Use of Money/Property	49,580,688	59,034,215	55,388,720	44,674,492	(10,714,228)	-19.34%
Charges for Services	29,572,596	31,407,338	33,000,331	33,000,331	0	0.00%
Revenue from the Commonwealth and Federal Governments ¹	118,660,545	123,676,336	127,432,855	132,191,413	4,758,558	3.73%
Recovered Costs/ Other Revenue	11,081,962	5,627,093	5,054,588	5,778,390	723,802	14.32%
Total Revenue	\$1,992,359,682	\$2,137,670,476	\$2,304,937,295	\$2,305,661,097	\$723,802	0.03%
Transfers In	1,520,280	1,683,800	1,614,594	2,914,594	1,300,000	80.52%
Total Receipts	\$1,993,879,962	\$2,139,354,276	\$2,306,551,889	\$2,308,575,691	\$2,023,802	0.09%

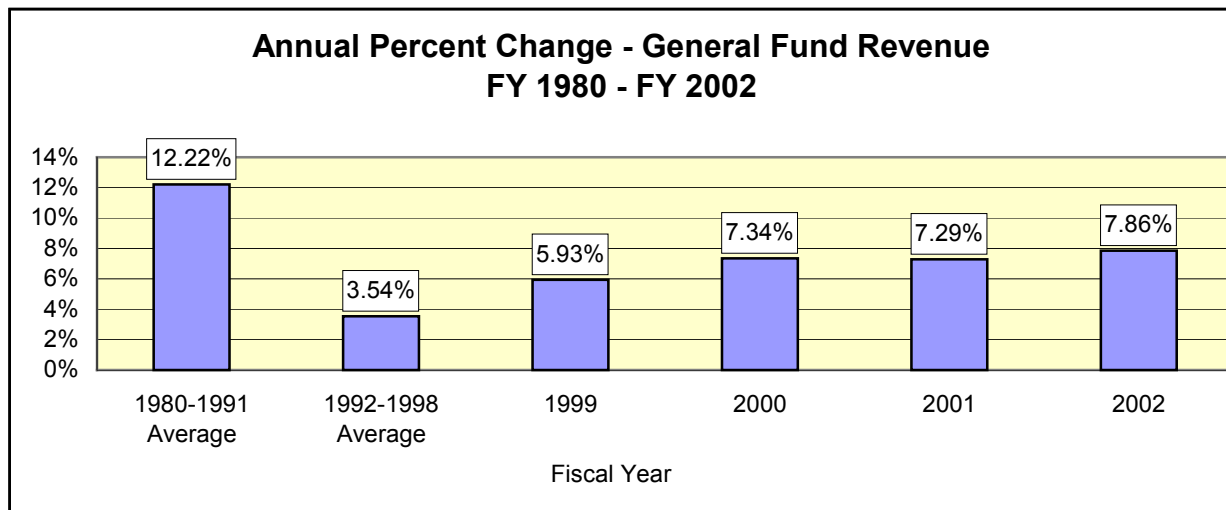
¹ The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

GENERAL FUND REVENUE OVERVIEW

As reflected in the table above, FY 2002 General Fund revenues are projected to be \$2,305,661,097, an increase of \$723,802, or 0.03 percent, over the FY 2002 Advertised Budget Plan. This net increase is the result of an increase in Personal Property Tax revenue as a result of higher than anticipated vehicle levies, an increase in State funding and an increase in Recovered Costs/Other Revenue. These increases are partially offset by a reduction in Interest on Investment due to falling interest rates.

Incorporating Transfers In, totaling \$2.9 million, FY 2002 General Fund receipts exceed that of FY 2001 by 7.9 percent. The Transfer In to the General Fund reflects \$1.6 million from Cable Communications for use of County rights of way and indirect support provided by General Fund agencies and a transfer of \$1.3 million from the Department of Vehicle Services' Vehicle Replacement Reserve based on actual replacement requirements.

The following chart depicts General Fund revenue growth since FY 1980. From FY 1980 to FY 1991, average annual General Fund revenue growth exceeded 12 percent per year. Although the pace of the County's revenue growth has steadily accelerated in the last few years, it has not reached the double-digit growth experienced during the 1980s.



Projecting growth of County revenues in FY 2001 and FY 2002 has been complicated by recent changes in economic indicators. Most economists are forecasting weaker economic growth for calendar year 2001. While the U.S. economy outperformed expectations in 2000, there are real concerns that the longest expansion in history may be ending. On the national level, real economic growth, as measured by the Gross Domestic Product (GDP), increased 5.0 percent in 2000, the largest gain since 1984 and a full percentage point greater than the 4.0 percent achieved in 1999. However, growth in the first quarter of 2001 dropped to a 1.3 percent annual rate, the worst of any quarter since the spring of 1995 when the economy almost slipped into a recession. In an effort to boost consumer and business spending and keep the U.S. economy out of a recession, the Federal Reserve has lowered interest rates an unprecedented five times in the first five months of calendar year 2001 for a total of 250 basis points. The Federal Reserve indicated that interest rates will be cut further if the economy continues to show signs of deterioration. While the national unemployment rate fell from 4.1 percent in 1999 to 4.0 percent in 2000, the rate increased to 4.2 percent in April. Consumer Confidence has dropped 18.3 percent since the beginning of FY 2001 and is at its lowest level in four years. Consumer Confidence is considered a valuable leading index of the economy. The more pessimistic consumers are, the less likely they are to spend money, thus lowering economic activity. The ability of the Federal Reserve's actions to increase consumer confidence and thereby spending will be a critical factor in determining the direction of the national economy during the coming year.

GENERAL FUND REVENUE OVERVIEW

The local economy also expanded in 2000 but most indicators currently point toward deceleration in 2001. The County's economic advisor, Dr. Stephen Fuller expects that the degree of a downturn will be mitigated by the strength in some sectors of our local economy. The significant level of federal procurement in the area, in addition to a more service oriented economic structure, will lessen the impact of an economic slowdown. Housing in Fairfax County has experienced substantial price appreciation during the past year driven by high demand, coupled with a tight supply and low mortgage costs. Home sale activity in the County was especially strong during 2000 in the condominium and townhome market, but the new home market suffered losses in volume compared to 1999. Considerable employment advances during 1999 and 2000 also fueled consumer spending in FY 1999 and FY 2000. But, growth in County Sales Tax receipts during FY 2001 has slowed dramatically to a 4.1 percent rate. Increasing energy prices in the area may further impact lackluster consumer spending. The County's office vacancy rate rose slightly from the 3.2 percent recorded at mid-year 2000 to 3.5 percent as of year-end 2000. While the current rate reflects a drop from 4.8 percent at year-end 1999, reports of layoffs in the technology sector are increasing concerns that the demand for new space may slow. Similarly, the amount of sublet space on the market is increasing as firms that anticipated growth are now downsizing. As noted in the May issue of the *Fairfax County Economic Index*, Dr Fuller expects that growth in the County economy will slow further in the third quarter of 2001 reflecting lower consumer confidence, deferred retail spending rising commercial vacancy rates and slowing commercial construction.

The slowing economy has also impacted revenue collections at the State level. After growing 11.2 percent in FY 2000, total Virginia General Fund revenue growth is expected to drop by almost half to 5.7 percent in FY 2001. Total Virginia tax revenues are anticipated to increase only 3.8 percent in FY 2001. Slowing revenue growth at the State level increases concerns that funds required to continue Personal Property Tax Relief may impact other County revenue from the Commonwealth and/or drain monies away from other pressing needs such as transportation, schools and health.

Current Real Estate Tax revenues in Fairfax County comprise 52.9 percent of General Fund Revenue and are the major driver of overall revenue changes. FY 2002 Real Estate property values were established as of January 1, 2001 and reflect market activity through calendar year 2000. The Real Estate Tax base is projected to increase 13.64 percent in FY 2002, and is comprised of a 9.70 percent rise in total equalization (reassessment of existing residential and non-residential properties), and new growth of 3.94 percent. Residential properties gained 11.26 percent as a result of equalization while non-residential properties increased a more moderate 5.92 percent. The nonresidential property base, however, did experience more rapid growth due to new construction, advancing 6.63 percent, whereas the residential base grew a much more moderate 2.83 percent as a result of new construction. The total value of nonresidential property increased 12.55 percent in FY 2002 while the value of residential property, representing 71.1 percent of the County's FY 2002 Real Estate Tax base, increased 14.09 percent.

The surge in home appreciation rates in Fairfax County and throughout the Northern Virginia area during the past year reflect the significant job growth that has occurred in the region. Demand for housing and a limited supply of homes has put upward pressure on home prices.

The FY 2002 General Fund revenue estimates discussed in this section are based on a review of all relevant indicators, including the Fairfax County Economic Index, consultations with the County's economic advisor, Dr. Stephen Fuller, actual FY 2000 collections and FY 2001 year-to-date trends.

GENERAL FUND REVENUE OVERVIEW

MAJOR REVENUE SOURCES

The following major revenue categories comprise 98.4 percent of total FY 2002 General Fund revenue and are discussed in this section. Unless otherwise indicated, comparative data are presented relative to the FY 2002 Advertised Budget Plan. The revenue estimates for all General Fund Revenue categories are shown in the Summary Schedule of General Fund Revenues in the section of this volume entitled Financial, Statistical and Summary Tables.

Category	FY 2000 Actual	FY 2001 Revised Budget Plan	FY 2002 Advertised Budget Plan	FY 2002 Adopted Budget Plan	Over the FY 2002 Advertised Budget Plan	
					Increase/ (Decrease)	Percent Change
Real Estate Tax - Current	\$993,049,391	\$1,077,156,306	\$1,219,263,688	\$1,219,263,688	\$0	0.00%
Personal Property Tax - Current	387,089,591	426,385,421	432,025,003	437,980,673	5,955,670	1.38%
Paid Locally	324,784,426	307,031,303	237,078,892	240,158,540	3,079,648	1.30%
Reimbursed by Commonwealth	62,305,165	119,354,118	194,946,111	197,822,133	2,876,022	1.48%
Local Sales Tax	128,787,605	137,158,799	145,388,327	145,388,327	0	0.00%
Recordation/Deed of Conveyance Taxes	13,424,948	16,347,558	13,424,948	13,424,948	0	0.00%
Vehicle License Tax	17,540,176	17,943,600	18,356,303	18,356,303	0	0.00%
Consumer Utility Tax	80,334,545	85,468,340	87,663,680	87,663,680	0	0.00%
Business, Professional and Occupational License Tax-Current	79,541,864	82,221,593	87,154,888	87,154,888	0	0.00%
Permits, Fees and Regulatory Licenses	33,654,184	33,894,607	33,892,369	33,892,369	0	0.00%
Fines and Forfeitures	7,579,871	8,736,955	11,595,781	11,595,781	0	0.00%
Interest on Investments	47,351,748	56,396,832	52,708,794	41,994,566	(10,714,228)	-20.33%
Charges for Services	29,572,596	31,407,338	33,000,331	33,000,331	0	0.00%
State/Federal Public Assistance	66,550,044	67,488,356	72,542,485	71,895,805	(646,680)	-0.89%
Other Revenue from the Commonwealth and Federal Government ¹	52,110,501	56,187,980	54,890,370	60,295,608	5,405,238	9.85%
Recovered Costs/ Other Revenue	11,081,962	5,627,093	5,054,588	5,778,390	723,802	14.32%
Total Major Revenue Sources	\$1,947,669,026	\$2,102,420,778	\$2,266,961,555	\$2,267,685,357	\$723,802	0.03%

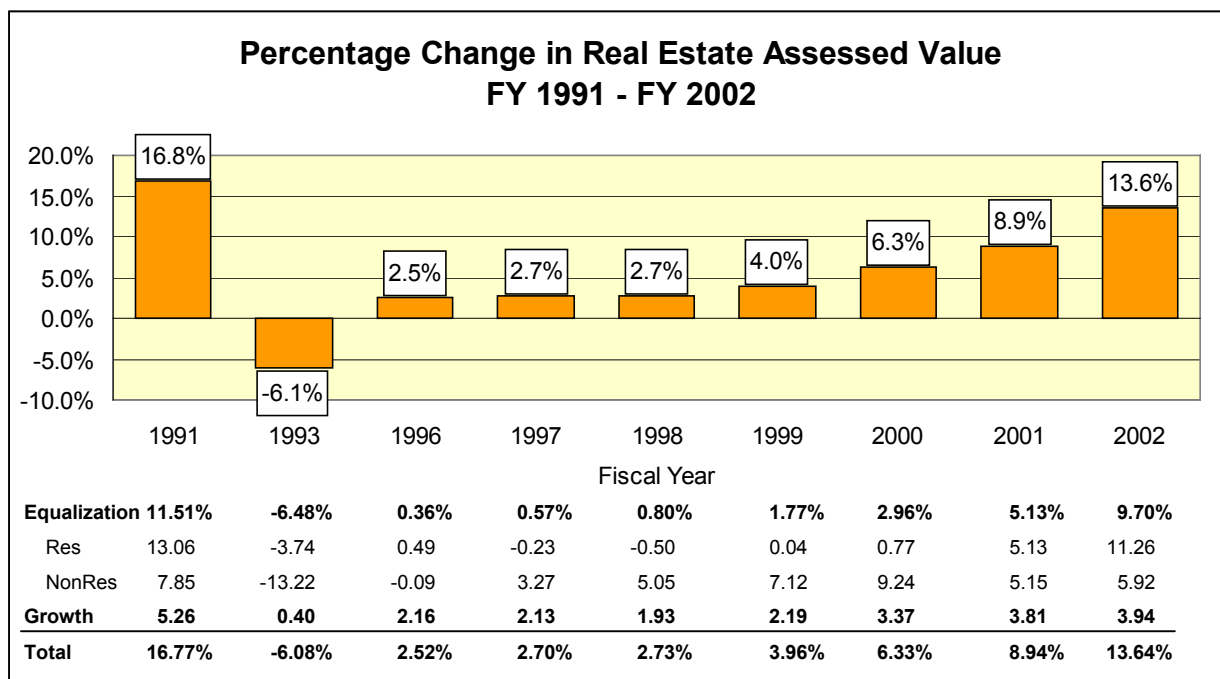
¹ Excludes Personal Property Taxes that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998.

GENERAL FUND REVENUE OVERVIEW

REAL ESTATE TAX-CURRENT

FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
\$993,049,391	\$1,077,156,306	\$1,219,263,688	\$1,219,263,688	\$0	0.00%

The FY 2002 estimate of \$1,219,263,688 reflects no change from the FY 2002 Advertised Budget Plan estimate and represents an increase of 13.2 percent over the FY 2001 Revised Budget Plan estimate. The FY 2002 estimate is based on a 13.64 percent increase in the FY 2002 valuation of real property, as compared to the FY 2001 Real Estate Land Book. The FY 2002 estimate is comprised of an increase in equalization of 9.70 percent and in normal growth of 3.94 percent, and an estimated total collection rate of 99.50 percent. The following chart shows changes in the County's assessed value base in FY 1991, FY 1993 and from FY 1996 to FY 2002. The FY 2002 figures reflected herein are based on the final assessments for



Tax Year 2001 (FY 2002), which were established as of January 1, 2001. Real Estate Tax revenue in FY 2002 is projected to increase 13.3 percent after taking into account increased tax abatements as a result of the County's revitalization effort, and changes in the Tax Relief Program which will be discussed below. Throughout FY 2002, Real Estate Tax revenues will be adjusted as necessary to reflect changes in exonerations, tax abatements, and supplemental assessments, as well as any differences in the collection rate.

The FY 2002 **Main Assessment Book Value** is \$99,793,391,730 and represents an increase of \$11,979,251,935, or 13.64 percent, over the FY 2001 main assessment book of \$87,814,139,795. This is the largest increase since FY 1991 when total assessments increased 16.8 percent. From FY 1992 to FY 1994, the assessment base declined, on average, 2.8 percent. After the recession, the value of real property increased at modest annual rates, averaging 2.5 percent from FY 1995 through FY 1999. It was not until FY 1999 that the assessment base exceeded its FY 1991 level. Primarily as a result of increases in new construction, the assessment base is now \$99.8 billion, \$26.8 billion higher than its FY 1991 level.

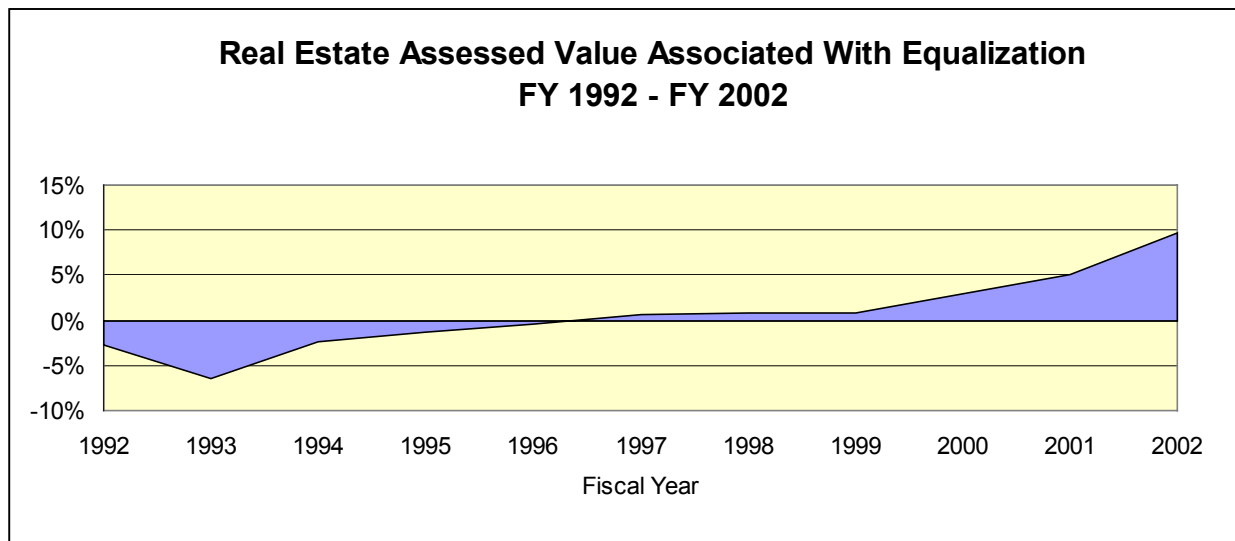
GENERAL FUND REVENUE OVERVIEW

The overall increase in the assessment base includes **equalization**, the reassessment of existing properties, and **normal growth**, which is associated with construction of new properties in Fairfax County. The FY 2002 assessment base reflects a significant increase in the values of existing residential properties of 11.26 percent, while nonresidential properties grew 5.92 percent, as a result of equalization. However, nonresidential properties experienced more rapid growth due to new construction than the residential portion of the assessment base. Residential property increased a moderate 2.83 percent due to new construction in FY 2002, while the nonresidential property base increased 6.63 percent. As a result of these changes, the residential portion of the total assessment base rose from 70.8 percent in FY 2001 to 71.1 percent in FY 2002. The table below reflects changes in the Real Estate Tax assessment base from FY 1996 through FY 2002.

Main Real Estate Assessment Book Base Changes
(in millions)

Assessed Base Change Due To:	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Equalization	\$241.7	\$392.6	\$567.7	\$1,289.6	\$2,241.4	\$4,139.5	\$8,522.9
% Change	0.36%	0.57%	0.80%	1.77%	2.96%	5.13%	9.70%
Residential	0.49%	-0.23%	-0.50%	0.04%	0.77%	5.13%	11.26%
Nonresidential	-0.09%	3.27%	5.05%	7.12%	9.24%	5.15%	5.92%
Normal Growth	\$1,454.1	\$1,472.6	\$1,369.7	\$1,598.0	\$2,556.9	\$3,067.6	\$3,456.3
% Change	2.16%	2.13%	1.93%	2.19%	3.37%	3.81%	3.94%
Total							
% Change	2.52%	2.70%	2.73%	3.96%	6.33%	8.94%	13.64%

Equalization, or reassessment of existing residential and nonresidential property, represents an increase in value of \$8,522,942,760, or 9.70 percent in FY 2002. The increase in total equalization is due to a boost in residential property values and a moderate increase in nonresidential property values. The significant increase in residential properties is a result of increased demand for homes due to rapid job growth in the County without a commensurate increase in the supply of existing homes. This trend mirrors that which is occurring on a regional and national basis. Changes in the assessment base as a result of equalization are shown in the following chart. The increase in the tax levy associated with the overall 9.70 percent increase in equalization is \$104,832,196 based on a tax rate of \$1.23 per \$100 of assessed value.



GENERAL FUND REVENUE OVERVIEW

The last two years are the first significant increases in **residential** equalization experienced in over a decade. Due to the recession, residential equalization declined notably from FY 1992 through FY 1994 and remained essentially flat from FY 1995 through FY 1998. Following modest increases in FY 1999 and FY 2000, residential equalization increased 5.13 percent in FY 2001. In FY 2002, overall residential equalization increased a robust 9.70 percent. As a result of the sustained increases in both sales volume and sales price, the majority of residential properties in the County will receive some valuation increase. It should be noted that the County's median assessment to sales ratio is in the low 90 percent range, well within professional assessing standards of 90 percent to 110 percent.

All types of residential property experienced increases in value in FY 2002. While single family home assessments drove the increase, there was a significant recovery in townhouse and condominium property values. Changes in residential equalization by housing type since FY 1998 are shown in the following table. It should be noted that changes represented in this chart are for the category as a whole. Individual neighborhoods and properties may have increased or decreased in value based on neighborhood selling prices.

Residential Equalization Changes

Housing Type/ (Percent of Base)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Single Family Homogeneous (57.9%)	-0.34%	0.09%	1.32%	6.56%	12.45%
Single Family Heterogeneous (17.2%)	-0.04%	0.52%	1.07%	5.97%	10.84%
Townhouse/Duplex (18.0%)	-1.13%	-0.21%	-0.16%	2.22%	10.98%
Condominiums (5.9%)	-2.12%	-1.02%	-1.96%	1.17%	10.30%
Vacant Land (0.8%)	1.74%	0.56%	1.24%	9.84%	7.90%
Other (0.2%) ¹	0.72%	0.98%	0.49%	1.38%	5.73%
Total Residential Equalization (100%)	-0.50%	0.04%	0.77%	5.13%	11.26%

¹ Includes, for example, affordable dwelling units, recreational use properties, and agricultural and forestal land use properties.

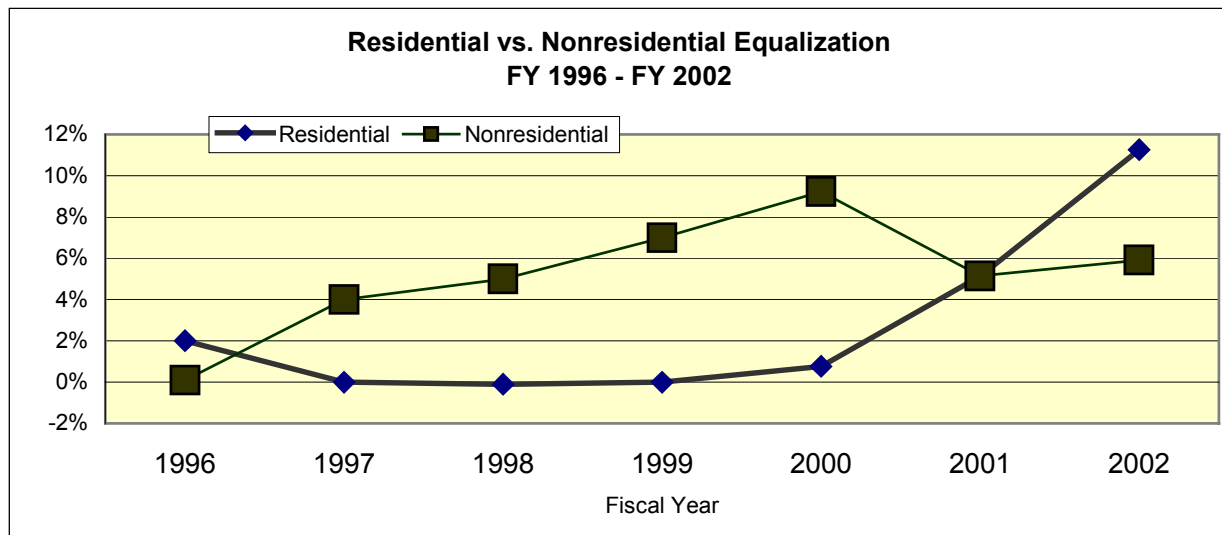
Based on the increase in residential equalization, the mean assessed value of all residential property in the County is \$231,561. This is an increase of \$23,435 over the FY 2001 value of \$208,126. Compared to FY 2001, the typical residential annual tax bill will increase \$288.25 in FY 2002, on average, based on a tax rate of \$1.23 per \$100 of assessed value. It should be noted, however, that after adjusting for inflation, the FY 2002 annual tax bill is only \$1.78 higher than it was in FY 1991. In fact, the annual tax bill as a percent of per capita income has fallen from 6.7 percent in FY 1991 to 5.1 percent in FY 2002.

Nonresidential equalization experienced continued growth of 5.92 percent in FY 2002, a level similar to FY 2001. All categories of nonresidential property experienced equalization increases, although some grew at a slower rate than last year. As a result of continued low office vacancy rates, higher rents and recent sales activity, the values of elevator offices (mid and high rises) and low-rise offices, which together comprise over 42 percent of the nonresidential tax base, rose 6.54 and 7.30 percent, respectively. The Economic Development Authority recently reported that the office vacancy rate fell dramatically to 3.2 percent at mid-year 2000, down from the 4.8 percent at yearend 1999. This drop occurred despite an increase in the office inventory of over 2.3 million square feet. The office vacancy rate is expected to rise somewhat over the next year as new buildings are completed. The value of hotels rose 6.58 percent as a result of higher room and occupancy rates. Due to an ample supply of retail space, regional malls exhibited a small increase of 2.20 percent while other retail properties increased 2.84 percent in FY 2002. Nonresidential equalization changes by category since FY 1998 are presented in the following table.

GENERAL FUND REVENUE OVERVIEW

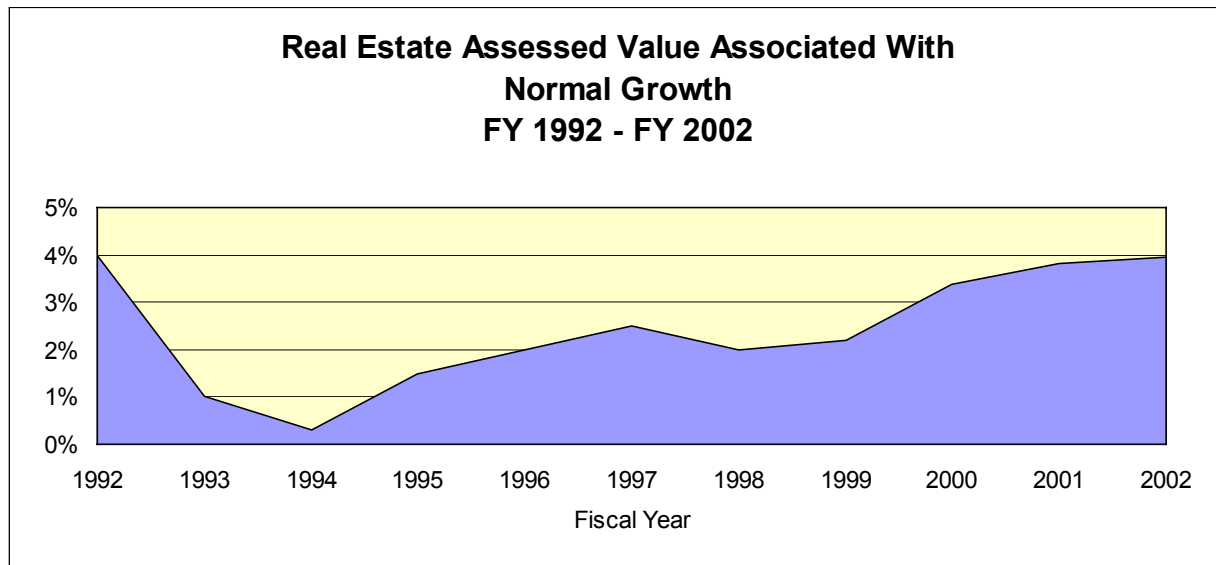
Nonresidential Equalization Changes

Category	Percent of the Base	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Apartments	15.81%	1.22%	2.23%	3.43%	3.54%	6.53%
Office Condominiums	2.16%	-0.69%	-0.32%	0.48%	2.08%	4.95%
Industrial	7.55%	3.41%	2.54%	10.55%	7.46%	7.25%
Retail	12.61%	-0.61%	2.33%	4.49%	2.73%	2.84%
Regional Malls	4.16%	3.12%	2.51%	3.08%	0.87%	2.20%
Office Elevator	38.35%	14.65%	15.59%	16.20%	6.74%	6.54%
Office - Low Rise	3.87%	6.37%	14.31%	10.95%	6.05%	7.30%
Vacant Land	5.52%	1.14%	3.59%	19.86%	5.96%	6.36%
Hotels	4.56%	12.51%	11.22%	24.40%	7.16%	6.58%
Other	5.41%	1.57%	2.83%	4.88%	2.62%	6.35%
Nonresidential Equalization	100.00%	5.05%	7.12%	9.24%	5.15%	5.92%



Normal Growth of \$3,456,309,175, or 3.94 percent, over the FY 2001 assessment book value results from new construction, new subdivisions and rezoning. This level of growth is similar to the 3.81 percent increase realized in FY 2001 (see following chart). Normal growth in FY 2002 is still well below the 6.9 percent average growth experienced during the 1980s. In FY 2002, the residential sector contributed slightly more than nonresidential properties to the increase in assessed value associated with new construction. This rate of growth due to new construction is consistent with activity in the housing and commercial building industry throughout the Washington metropolitan area.

GENERAL FUND REVENUE OVERVIEW



In addition to the final equalization and normal growth adjustments in the Main Book, the following projected adjustments were made to the FY 2002 Real Estate Tax revenue estimate:

Additional Assessments expected to be included in the new real estate base are prorated assessments under the Norfolk Plan of \$340.2 million and additional supplemental assessments of \$37.8 million. The Norfolk Plan assessments are supplemental assessments, which are made during the year for new construction that is completed subsequent to finalizing the original assessment book. Supplemental assessments may also result due to changes in ownership or tax exempt status. The total value of the supplemental assessments will be closely monitored based on new construction and building permit activity.

Exonerations, Certificates and Tax Abatements are anticipated to reduce the Real Estate assessment base by \$488.9 million in FY 2002, an additional \$98.3 million over FY 2001. This increase is primarily due to a rise in tax abatements associated with the County's revitalization effort. Each \$100.0 million change in the level of exonerations, certificates and tax abatements is equivalent to a change of \$1.2 million in tax levy.

Tax Relief for the Elderly and Disabled is projected to reduce the Real Estate assessment base in FY 2002 by \$961,229,389. As part of the FY 2001 Budget, the Board of Supervisors approved a two-year plan to expand the income limits associated with the Real Estate Tax Relief Program for the Elderly and Disabled. The FY 2002 program provides 100 percent exemption for elderly and disabled taxpayers with incomes up to \$40,000; 50 percent exemption for eligible applicants with income between \$40,001 and \$46,000; and 25 percent exemption if income is between \$46,001 and \$52,000. The allowable asset limit of \$150,000 for all ranges of tax relief was not changed. The total revenue loss associated with the two-year program change is estimated to be \$3.7 million. The table below presents income thresholds for the Tax Relief Program for the Elderly and Disabled since FY 2000.

GENERAL FUND REVENUE OVERVIEW

Tax Relief for the Elderly and Disabled

	Income Limit	Percent Relief
FY 2000	Up to \$30,000	100%
	Over \$30,000 to \$35,000	50%
	Over \$35,000 to \$40,000	25%
FY 2001	Up to \$35,000	100%
	Over \$35,000 to \$40,000	50%
	Over \$40,000 to \$46,000	25%
FY 2002	Up to \$40,000	100%
	Over \$40,000 to \$46,000	50%
	Over \$46,000 to \$52,000	25%

The **FY 2002 local assessment base** of \$98,721,263,341 is based on the main book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of \$1,214,271,539 is calculated based on a tax rate of \$1.23 per \$100 of assessed value. Based on an expected local collection rate of 99.50 percent, revenue from local assessments is estimated to be \$1,208,200,181. In FY 2002, every 0.1 percentage point change in the collection rate on the locally assessed Real Estate Tax levy yields a revenue change of \$1.2 million, while every penny on the tax rate yields \$10.1 million in revenue.

Added to the local assessment base is an estimated \$899,472,143 in assessed value for Public Service Corporations (PSC) property. Based on a \$1.23 per \$100 assessed value tax rate, the tax levy on PSC property is \$11,063,507. The collection rate on PSC property is expected to be 100.0 percent.

The total assessment base, including Public Service Corporations, is \$99,620,735,484 with a total tax levy of \$1,225,335,047 at the \$1.23 per \$100 assessed value tax rate. Estimated FY 2002 revenue from the Real Estate Tax, including receipts from Public Service Corporations, totals \$1,219,263,688 at the \$1.23 per \$100 assessed value tax rate, and reflects an overall collection rate of 99.50 percent. The total collection rates experienced in this category since FY 1987 are shown in the following table:

Real Estate Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1987	99.43%	1995	99.32%
1988	99.58%	1996	99.47%
1989	99.59%	1997	99.56%
1990	99.49%	1998	99.54%
1991	98.96%	1999	99.50%
1992	98.87%	2000	99.63%
1993	99.03%	2001 (estimated)	99.50%
1994	99.15%	2002 (estimated)¹	99.50%

¹ In FY 2002, every 0.1 percentage point change in the collection rate yields a revenue change of \$1,214,272.

GENERAL FUND REVENUE OVERVIEW

The Commercial/Industrial percentage of the County's Real Estate Tax base is 24.84 percent, a small decrease of 0.53 percentage points from the FY 2001 level of 25.37 percent. This reduction is due to the increase in the residential portion of the Real Estate Tax base. The Commercial/Industrial percentage is based on Virginia land use codes and excludes multi-family rental apartments, which comprises 4.04 percent of the County's Real Estate Tax base. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

Commercial/Industrial Percentages

Fiscal Year	Percentage	Fiscal Year	Percentage
1987	24.09%	1995	19.59%
1988	25.49%	1996	19.04%
1989	26.73%	1997	19.56%
1990	26.76%	1998	20.47%
1991	26.25%	1999	21.84%
1992	25.66%	2000	24.32%
1993	22.82%	2001	25.37%
1994	20.94%	2002	24.84%

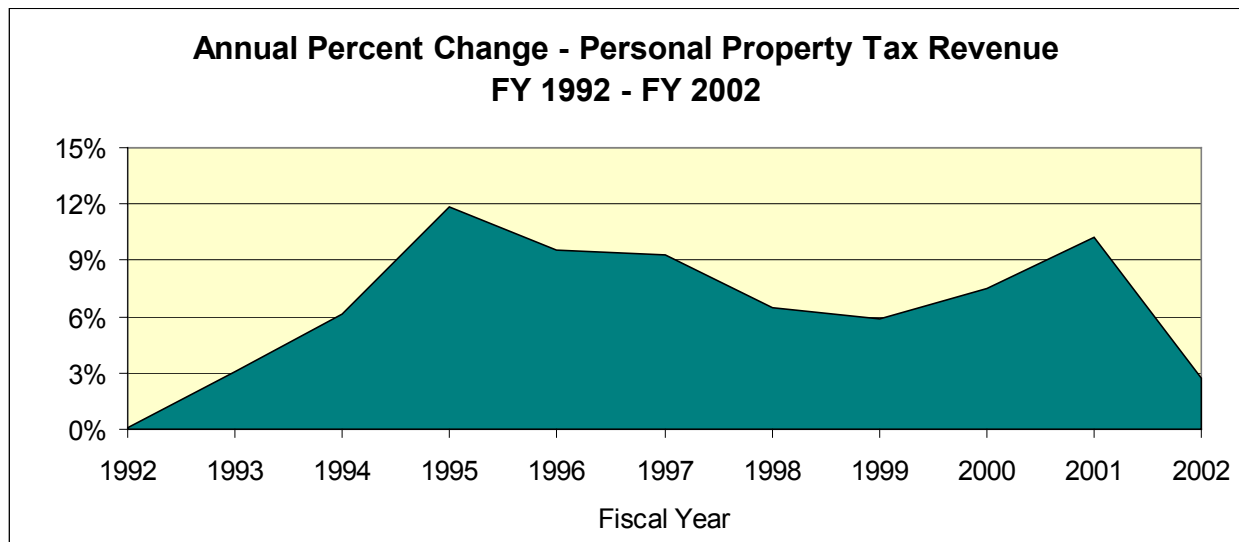
GENERAL FUND REVENUE OVERVIEW

PERSONAL PROPERTY TAX-CURRENT

	FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
Paid Locally	\$324,784,426	\$307,031,303	\$237,078,892	\$240,158,540	\$3,079,648	1.30%
Reimbursed by State	62,305,165	119,354,118	194,946,111	197,822,133	2,876,022	1.48%
Total	\$387,089,591	\$426,385,421	\$432,025,003	\$437,980,673	\$5,955,670	1.38%

Total FY 2002 Personal Property Tax revenue is expected to be \$437,980,673, an increase of \$5,955,670, or 1.4 percent, over the FY 2002 Advertised Budget Plan, primarily due to an increase in vehicle levy as a result of higher than anticipated new model vehicle purchases. The Personal Property Tax estimate is comprised of two components, that which is paid by citizens locally and that which is reimbursed by the Commonwealth of Virginia to the County as a result of the Personal Property Tax Relief Act (PPTRA) of 1998. The PPTRA phases out, over a five-year period, the Personal Property Tax on the first \$20,000 of the value for vehicles owned by individuals. In FY 1999, the first year of implementation, taxpayers were billed for the entire amount of tax levy and received a refund of 12.5 percent of the tax on the first \$20,000 of the value of their personal vehicle from the Commonwealth of Virginia. Vehicles valued less than \$1,000 were refunded 100 percent. In FY 2000 and FY 2001, the PPTRA reduces the Personal Property Taxes paid by citizens by 27.5 percent and 47.5 percent respectively with an offsetting reimbursement paid to the County by the Commonwealth. The percentage reduction in taxes paid by citizens to be reimbursed by the Commonwealth is anticipated to be 70.0 percent in FY 2002. Under the original approved plan, taxes paid by individuals would be reduced by 100 percent in FY 2003. The PPTRA has no impact on the assessment or projection of Personal Property Tax revenues; therefore, for purposes of this narrative, aspects of the total Personal Property Tax will be discussed.

The Personal Property Tax consists of two major components: vehicles and business personal property. The vehicle component, which represents almost 69 percent of the total category, is the major driver of the overall category. While both the vehicle and business components are sensitive to changes in the national and local economies, changes in the vehicle component tend to determine growth in overall Personal Property revenues. Annual changes in total Personal Property Tax revenues are shown in the following chart.



GENERAL FUND REVENUE OVERVIEW

Total Personal Property Tax revenues experienced average annual growth of 10.2 percent from FY 1994 through FY 1997. More moderate gains of 6.4 and 5.9 percent in total Personal Property Tax revenue were experienced in FY 1998 and FY 1999, respectively. Strong job growth and business expansion pushed total Personal Property Tax growth to 7.5 percent in FY 2000 and a projected 10.2 percent in FY 2001. In FY 2002, Personal Property Tax revenue is anticipated to grow at 2.7 percent, its lowest rate in ten years. This rate of growth is the result of accelerated depreciation of used vehicles coupled with moderate growth in the business component.

The FY 2002 estimate incorporates a decline of 0.8 percent in the average vehicle levy from \$359 to \$356. This decrease is the result of modest growth in new model vehicle prices. One reason for the modest growth in new model vehicle prices is a result of the depreciation of the Eurodollar. Since overseas automakers are able to keep prices low, U.S. automakers are not increasing prices in order to remain competitive with the foreign car market. As the price of new model vehicles remains low, used vehicles become less attractive and their value declines faster than the historical norm. Contributing to the decline in used vehicle prices is the large number of vehicles coming off leases and being added to the supply of used vehicles. Analysis of existing vehicles in the County with National Automobile Dealers' Association (NADA) values indicates a greater decline in used vehicle values than has occurred in the past 10 years. NADA economists have confirmed these trends. The volume of vehicles in FY 2002 is anticipated to increase at a modest rate of 1.6 percent. The rate reflects a slowing in the number of new model vehicle purchased as a result of declining job growth in the County as well as low Consumer Confidence. Incorporating changes in average levy and volume, the overall vehicle component of the Personal Property Tax base is expected to increase 0.8 percent in FY 2002. Changes in vehicle volume and levy since FY 1998 are shown in the following table.

Personal Property Vehicles

Fiscal Year	Growth in Vehicle Volume	Average Vehicle Levy	Growth in Average Levy
FY 1998	2.6%	\$315	1.6%
FY 1999	3.2%	\$320	1.7%
FY 2000	4.2%	\$336	4.9%
FY 2001	4.5%	\$359	6.9%
FY 2002 (est.)	1.6%	\$356	-0.8%

Business Personal Property is primarily comprised of assessments on furniture and fixtures and computer equipment. Growth in the business component is mainly associated with increased purchases from existing companies. The volume of companies is expected to increase only slightly in FY 2001 and FY 2002, while business levy is anticipated to experience moderate growth of 4.6 percent and 5.1 percent, respectively based on historical trends of new property purchases.

The Department of Tax Administration (DTA) annually reviews the current depreciation rate schedule for computer hardware due to the speed with which computer values change. Reflecting market trends, the computer depreciation schedule was changed in FY 1999. The schedule was adjusted further in FY 2000 to accelerate the depreciation of computer equipment in the first and second years. In FY 2001, computer equipment that was purchased 3 years prior will be valued at 25 percent of its original purchase price, down from 30 percent in FY 2000. It is estimated that this change in the computer depreciation schedule will reduce Personal Property Tax revenue by approximately \$1.6 million in FY 2001. Based on current trends, the computer depreciation schedule will not be adjusted in FY 2002. Previous and current computer depreciation schedules are shown in the following table. The percentages from the depreciation schedule are applied to the original purchase price of the computer equipment to determine its fair market value. Personal Property Taxes are then levied on this value. Fairfax County's FY 2002 computer depreciation schedule reduces the value upon which the tax is levied more rapidly than any other Northern Virginia locality.

GENERAL FUND REVENUE OVERVIEW

Computer Depreciation Schedules FY 1998 - FY 2002 Percent of Original Purchase Price Taxed

Year of Acquisition	FY 1998	FY 1999	FY 2000	FY 2001 and FY 2002
1	80%	65%	60%	60%
2	55%	45%	40%	40%
3	35%	30%	30%	25%
4	10%	10%	10%	10%
5 or more	10%	2%	2%	2%

The levy on Public Service Corporations is estimated to be \$28,330,385 in FY 2002, a 10.0 percent increase over the *FY 2001 Revised Budget Plan* estimate. Personal Property Tax revenue estimates are based on a tax rate of \$4.57 per \$100 of valuation for vehicles and business property, and \$1.23 per \$100 of valuation for mobile homes and non-vehicle Public Service Corporations properties. The following table details the estimated assessed value and associated levy for components of the Personal Property Tax.

FY 2002 Estimated Personal Property Assessments and Tax Levy

Category	FY 2002 Assessed Value	Tax Rate (per \$100)	FY 2002 Tax Levy	Percent of Total Levy
Vehicles				
Privately Owned	\$7,687,801,377	\$4.57	\$269,156,177	59.8%
Business Owned	510,433,879	4.57	17,602,709	3.9%
Leased	726,408,974	4.57	22,986,940	5.1%
Subtotal	\$8,924,644,230		\$309,745,826	68.8%
Business Personal Property				
Furniture and Fixtures	\$1,295,651,485	\$4.57	\$59,211,370	13.2%
Computer Equipment	929,866,972	4.57	42,494,919	9.4%
Machinery and Tools	143,456,579	4.57	6,555,965	1.5%
Research and Development	7,401,750	4.57	338,260	0.1%
Subtotal	\$2,376,376,786		\$108,600,514	24.1%
Public Service Corporations				
Equalized	\$2,264,384,878	\$1.23	\$27,851,934	6.2%
Vehicles	10,469,387	4.57	478,451	0.1%
Subtotal	\$2,274,854,265		\$28,330,385	6.3%
Other				
Mobile Homes	\$17,134,673	\$1.23	\$204,545	0.0%
Other (Trailers, Misc.)	8,344,999	4.57	303,707	0.1%
Subtotal	\$25,479,672		\$508,252	0.1%
Penalty for Late Filing			\$2,900,054	0.6%
TOTAL	\$13,601,354,953		\$450,085,031	100.0%

GENERAL FUND REVENUE OVERVIEW

A collection rate of 97.13 percent is applied to the total local tax levy for FY 2002, a rate that is consistent with that realized in FY 2000 and that which is projected for FY 2001. The application of the projected collection rate to the local levy estimate for FY 2002 results in projected tax revenue of \$409,650,288. In addition, it is projected that a 100.0 percent collection rate will be achieved on the Public Service Corporations tax levy of \$28,330,385. The resulting collection rate for all categories of personal property is estimated to be 97.3 percent and is shown in the following table with historical collection rates.

Total Personal Property Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1987	96.5%	1995	96.8%
1988	95.5%	1996	97.2%
1989	96.3%	1997	97.3%
1990	96.2%	1998	97.3%
1991	95.5%	1999	97.3%
1992	94.4%	2000	97.3%
1993	96.0%	2001 (estimated)	97.3%
1994	95.6%	2002 (estimated) ¹	97.3%

¹Each 0.1 percentage point change in the collection rate on the local tax levy will impact revenues by approximately \$0.4 million, and each penny on the tax rate yields a revenue change of \$0.9 million.

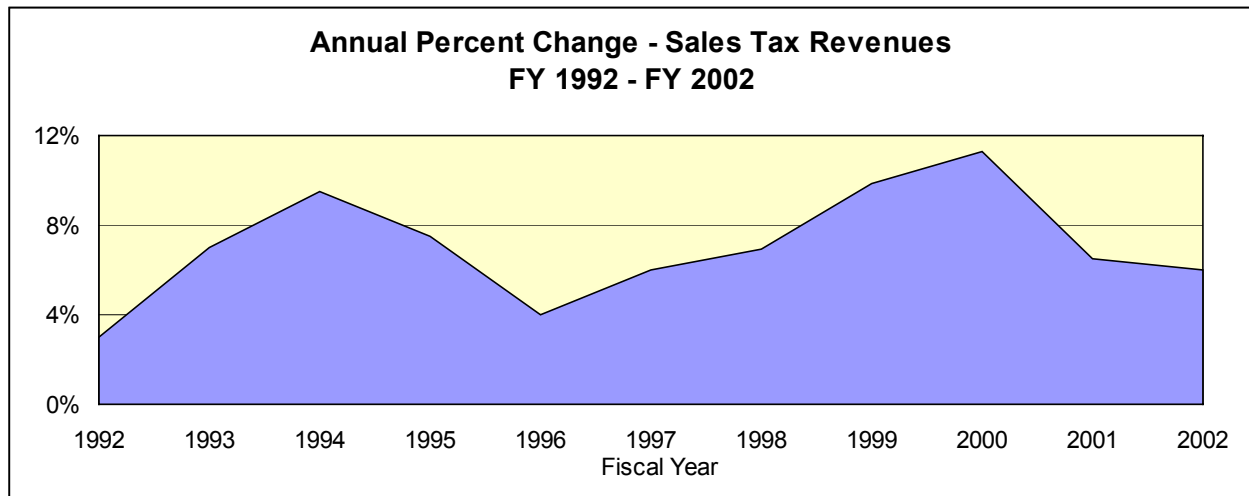
LOCAL SALES TAX

FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
\$128,787,605	\$137,158,799	\$145,388,327	\$145,388,327	\$0	0.00%

The FY 2002 estimate for Sales Tax receipts of \$145,388,327 represents no change from the FY 2002 Advertised Budget Plan estimate and reflects an increase of \$8,229,528, or 6.0 percent, over the FY 2001 Revised Budget Plan estimate. This growth rate reflects the anticipation that the local economy will continue to expand but at a significantly slower rate. Several econometric models are used in projecting Sales Tax receipts. One model uses the Fairfax County Leading Index, developed by Dr. Stephen Fuller, as a predictor. With this model, two different economic scenarios are considered: one for a growing economy and one for a flat economy. This method allows staff to evaluate a potential range of Sales Tax revenue growth. Staff also analyzes a statistical model, which relies on the historical trends and seasonal patterns of Sales Tax revenues.

Sales Tax receipts are extremely sensitive to economic conditions (see chart). During the last recession, for example, Sales Tax revenues fell 4.5 percent in FY 1991 and grew a marginal 2.2 percent in FY 1992. Rebounding from the recession, average annual growth of 8.2 percent was experienced from FY 1993 to FY 1995. Growth in Sales Tax receipts moderated to an average annual rate of 5.5 percent during FY 1996 through FY 1998. In FY 1999 and FY 2000, Sales Tax receipts increased at robust rates of 9.9 and 11.3 percent, respectively, reflecting strong job growth and high consumer confidence. Projections of more moderate growth of 6.5 percent in FY 2001 and 6.0 percent in FY 2002 are based on the expectation of slowing job growth and lower consumer confidence.

GENERAL FUND REVENUE OVERVIEW



FY 2001 Sales Tax collections are showing signs of this moderation. During the fall 2000 review of revenue, the FY 2001 estimate for Sales Tax receipts was dropped from the 11.0 percent incorporated in the *FY 2001 Adopted Budget Plan* to 6.5 percent. During the FY 2001 Third Quarter review, no adjustment appeared necessary as receipts through March were up 6.1 percent. However, since then Sales Tax collections have deteriorated further. Sales Tax receipts through May, representing retail purchases through March are up a modest 4.1 percent over the same period in FY 2000. If Sales Tax receipts continue to grow at this rate for the remainder of the fiscal year, a shortfall of \$3.1 million would occur in FY 2001. Staff will continue to monitor and may return with a recommended adjustment to the FY 2002 estimate once final FY 2001 receipts are recorded.

RECORDATION/DEED OF CONVEYANCE TAXES

FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
\$13,424,948	\$16,347,558	\$13,424,948	\$13,424,948	\$0	0.00%

The FY 2002 estimate of \$13,424,948 reflects no change from the *FY 2002 Advertised Budget Plan* estimate and represents a decrease of \$2,922,610, or 17.9 percent, from the *FY 2001 Revised Budget Plan*. The FY 2002 estimate is comprised of \$9,184,508 in Recordation Tax revenues and \$4,240,440 in Deed of Conveyance Tax revenues. Recordation and Deed of Conveyance Taxes are levied in association with the sale or transfer of real property located in the County. Recordation Taxes are also levied when mortgages on property located in the County are refinanced, making Recordation Tax revenues more sensitive to interest rate fluctuations than Deed of Conveyance Tax revenues.

During the first ten months of FY 2001, Recordation and Deed of Conveyance Tax revenues have increased 23.8 percent over the same period in FY 2000. Strong demand in the housing market fueled by low interest rates is driving this growth.

In FY 2002, however, this level of growth is not expected to continue as consumers have grown more cautious regarding the economy. The Consumer Confidence Index has declined 18.3 percent since the beginning of the fiscal year due to consumers' uncertainty about the near-term outlook. Furthermore, job growth is expected to slow in FY 2002 easing the pressure on the demand for housing. Mortgage rates have been steadily declining since peaking at 8.5 percent in May 2000 and are currently around 7.0 percent. Further drops in interest rates are not anticipated to have a major impact on revenues due to the factors above. In FY 2002, Recordation and Deed of Conveyance Tax revenues are projected to be at a level even with that of FY 2000 and consistent with that of two years ago when interest rates were below 7.0 percent.

GENERAL FUND REVENUE OVERVIEW

VEHICLE LICENSE TAX

FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
\$17,540,176	\$17,943,600	\$18,356,303	\$18,356,303	\$0	0.00%

The FY 2002 estimate for Vehicle License Tax of \$18,356,303 remains at the level projected in the FY 2002 Advertised Budget Plan and represents growth of 2.3 percent over the *FY 2001 Revised Budget Plan* estimate. The FY 2001 estimate was revised during the fall 2000 revenue review to reflect higher than anticipated FY 2000 actual receipts.

Vehicle License Tax rates remain unchanged in FY 2002 at \$25 for passenger vehicles; \$18 for motorcycles; and \$23 for certain passenger vehicles used for compensation, e.g., taxis. The renewal date for vehicle licenses is October 5, which links the purchase of vehicle decals with the payment due date for Personal Property Taxes.

CONSUMER UTILITY TAX

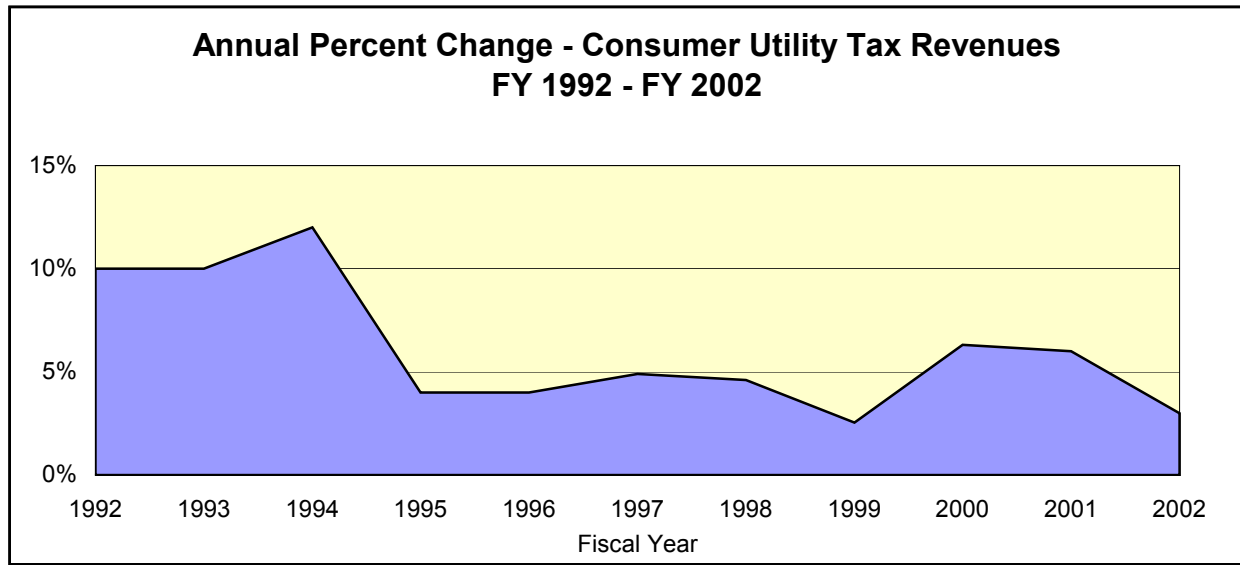
FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
\$80,334,545	\$85,468,340	\$87,663,680	\$87,663,680	\$0	0.00%

The FY 2002 estimate for Consumer Utility Taxes of \$87,663,680 reflects no change from the FY 2002 Advertised Budget Plan estimate and represents an increase of \$2,195,340 or 2.6 percent over the *FY 2001 Revised Budget Plan* estimate. County residents and businesses are subject to Consumer Utility Taxes based on their consumption of electricity, gas, and telephone services. The FY 2002 estimate is comprised of \$33,288,003 in taxes on electric service, \$44,947,327 in taxes on telephone service, and \$9,428,350 in taxes on gas service.

Predicting Utility Tax revenues is difficult due to the variability of commercial usage and weather. Consumer Utility Tax revenues are monitored on a monthly basis. An annual econometric model, which examines the trend over time in Consumer Utility Tax revenues, and several monthly statistical models, which take into account seasonal fluctuations and historical trends in Consumer Utility Tax revenues, are used to track and forecast these revenues.

The Virginia General Assembly approved deregulation of the electric and gas utility industries beginning in 2001. Under competition, users may purchase electricity and gas from a vendor other than Virginia Power, Northern Virginia Electric Cooperative, Washington Gas, or Columbia Gas. However, these companies are still responsible for distributing the electricity and natural gas to consumers in Fairfax County. The legislation governing deregulation required the County to change the way it levies the Consumer Utility Tax from a method based on the dollar amount of the bill, to a new method based on usage (kilowatt-hours for electricity and per 100 cubic feet for gas). To comply with the legislation, the Board of Supervisors adopted new consumption-based rates in October 2000 to become effective January 1, 2001. These rates, which are shown in the Financial, Statistical, and Summary Tables Section, were designed to be revenue neutral with the previous method of tax calculation.

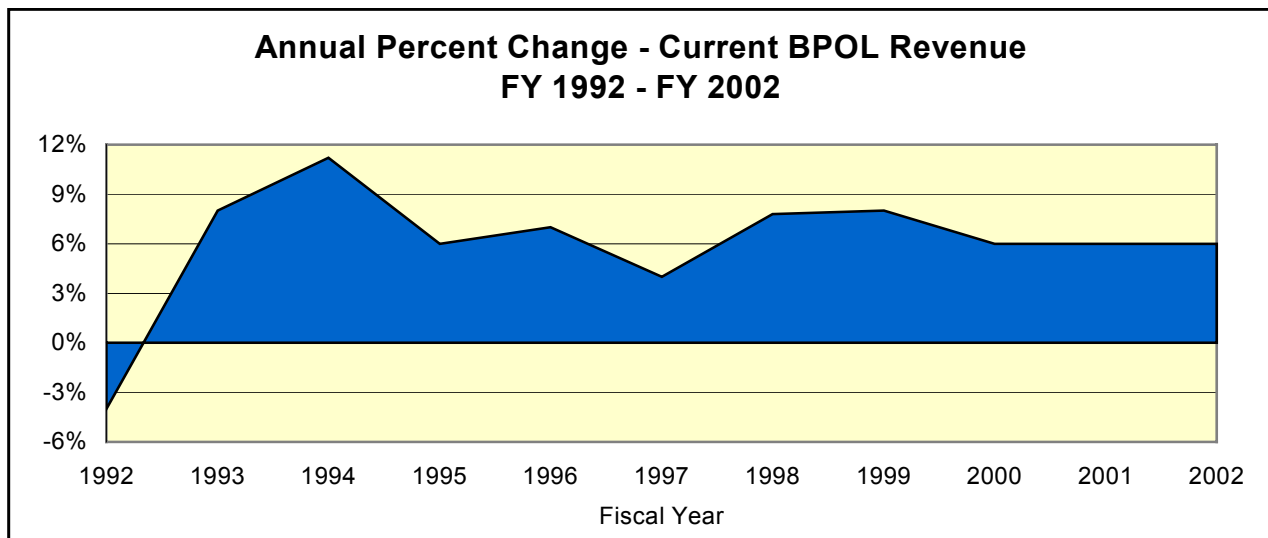
GENERAL FUND REVENUE OVERVIEW



BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
\$79,541,864	\$82,221,593	\$87,154,888	\$87,154,888	\$0	0.00%

The FY 2002 estimate for Business, Professional and Occupational License Taxes (BPOL) of \$87,154,888 reflects no change from the FY 2002 Advertised Budget Plan and represents an increase of \$4,933,295, or 6.0 percent, over *the FY 2001 Revised Budget Plan* estimate. During the fall 2000 revenue review, the FY 2001 estimate was adjusted due to lower than anticipated growth in FY 2000 and the elimination of BPOL taxes on the gross receipts of gas and electric suppliers. Based on legislation that deregulated these industries, the BPOL tax on electric and gas suppliers has been replaced with a consumer consumption tax based on kilowatt-hour (kWh) usage for electricity and per 100 cubic feet for natural gas. Absent the elimination of these receipts, BPOL levy is anticipated to grow 6.0 percent in FY 2001, the same rate as FY 2000. Growth rates for FY 1992 through FY 2002 are shown in the following chart.



GENERAL FUND REVENUE OVERVIEW

Revenues from BPOL Taxes are a function of business activity in the County during the previous calendar year. Businesses file and pay their BPOL Taxes simultaneously on March 15 each year; therefore, there is little actual data available to refine estimates for FY 2001 and develop projections for FY 2002. Two econometric models are used to predict BPOL revenues; one, which uses Dr. Stephen Fuller's forecast of Gross County Product, predicts growth of 6.4 percent in FY 2002. The other model, which uses calendar year Sales Tax receipts as a predictor, estimates weaker BPOL Tax growth of 5.0 percent in FY 2002 reflecting the economic conditions evidenced by slower growth in Sales Tax receipts which was discussed earlier in this section.

INTEREST ON INVESTMENTS

FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
\$47,351,748	\$56,396,832	\$52,708,794	\$41,994,566	(\$10,714,228)	-20.33%

The FY 2002 estimate for Interest on Investments of \$41,994,566 represents a decrease of \$10,714,228 or 20.3 percent from the FY 2002 Advertised Budget Plan estimate. Revenue from this category is a function of the amount invested, the prevailing interest rates earned on investments, and the percentage of the total pooled investment portfolio attributable to the General Fund. An expected decline in yield on County investments is responsible for the decrease. The FY 2002 projected average yield is 4.43 percent down from the 5.55 percent incorporated in the FY 2002 Advertised Budget Plan. As anticipated, the FY 2001 estimate was also reduced during the FY 2001 Third Quarter Review. The decreases in FY 2001 and FY 2002 are due to recent interest rate reductions by the Federal Reserve. The Federal Reserve reduced interest rates five times in the first five months of 2001 for a total of 250 basis points. It is important to note that further interest rate reductions by the Federal Reserve will significantly impact the yield realized on County investments.

An average portfolio size of \$1,517,705,093 is expected in FY 2002, an increase of 3.1 percent over the FY 2001 estimate. The projected investment portfolio reflects its current level, growth in revenues and expenditures, and anticipated bond sales in FY 2002.

All available resources are pooled for investment purposes and the interest earned is distributed among the various County funds based on the average dollars invested from each fund as a percentage of the total pooled investment. Total Interest on Investments is projected to be \$67,234,336. The General Fund percentage is projected to be 62.46 percent in FY 2002, which reflects no change from FY 2001.

CHARGES FOR SERVICES

FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
\$29,572,596	\$31,407,338	\$33,000,331	\$33,000,331	\$0	0.00%

The FY 2002 estimate of \$33,000,331 for Charges for Services reflects no change from the FY 2002 Advertised Budget Plan estimate and represents an increase of \$1,592,993 or 5.1 percent over the FY 2001 Revised Budget Plan. This increase is primarily due to a \$1,126,311 increase in School Age Child Care (SACC) revenue. SACC revenues are projected to rise due to a 2.0 percent base fee adjustment to address salary increases, the opening of one new school-year center at McNair Farms Elementary and two expanded school-year centers at Kings Glen Elementary and Kilmer Center, as well as two new summer SACC centers at sites to be determined. Other increases in this category include \$149,371 in Recreation revenue associated with planned program offerings, \$119,407 in County Clerk Fees due to modest growth in the number of transactions filed with the Clerk's office, and \$88,587 in Health Department revenue due to anticipated growth in Elderly Day Care fee income.

GENERAL FUND REVENUE OVERVIEW

PERMITS, FEES AND REGULATORY LICENSES

FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
\$33,654,184	\$33,894,607	\$33,892,369	\$33,892,369	\$0	0.00%

The FY 2002 estimate for Permits, Fees and Regulatory Licenses of \$33,892,369 reflects no change from the FY 2002 Advertised Budget Plan estimate and represents a net decrease of \$2,238 from the *FY 2001 Revised Budget Plan* estimate. The slight decrease in this category is due to several revenue changes. An increase of \$603,826 in Fire Marshal Fees is projected as a result of additional Building Inspector positions added during FY 2001. The full year revenue generation benefit of the additional positions will be realized in FY 2002 due to on the job and certification training required during FY 2001. Offsetting this increase is an anticipated reduction of \$150,000 in Acceptance Test Overtime revenue. The additional inspector positions added in FY 2001 are expected to reduce the need to conduct acceptance tests on an overtime basis.

Fees charged by the Department of Public Works and Environmental Services (DPWES) for planning, building and site permits are a major component of the Permit, Fees, and Regulatory Licenses category. These fees are anticipated to be \$26,760,590 in FY 2002, a decrease of \$519,268, or 1.9 percent from the *FY 2001 Revised Budget Plan* estimate. This slowing is indicated by the decline in major site and subdivision plans submitted. Further evidence of a slowdown is a 25 percent decline during the first quarter of FY 2001 in the number of applications to the Department of Planning and Zoning. These applications represent the first step in the development process.

Twenty-two individual fee categories comprise DPWES Fee revenue. Changes in DPWES revenue are a reflection of the housing market and construction industry, as well as the size and complexity of projects submitted to DPWES for review. Two of the most important indicators of workload, and consequently revenue, are the number of building permits issued, and the number of new site, subdivision and public improvement plans submitted to DPWES for review.

Through April, DPWES Fee revenue is trailing last year by a 1.3 percent margin. While the number of new residential building permits issued by the County through April 2001 is falling short of the same period in FY 2000 by a 15.3 percent margin, new nonresidential permits are up 20.1 percent over that of the last fiscal year. The County's office vacancy rate was 3.5 percent as of yearend 2000. This rate reflects a slight increase from the 3.2 percent rate recorded at mid-year 2000, but a drop from 4.8 percent at yearend 1999. The office vacancy rate is expected to continue to rise somewhat over the next year as buildings under construction are completed.

FINES AND FORFEITURES

FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
\$7,579,871	\$8,736,955	\$11,595,781	\$11,595,781	\$0	0.00%

The FY 2002 estimate for Fines and Forfeitures of \$11,595,781 reflects no change from the FY 2002 Advertised Budget Plan estimate and represents an increase of \$2,858,826, or 32.7 percent, over the *FY 2001 Revised Budget Plan* estimate. This increase is primarily due an additional \$1.7 million associated with Photo Red Light Violations. This program was anticipated to be fully implemented in FY 2001 but the program has experienced significant delays due to the inability to obtain construction permits from the Virginia Department of Transportation (VDOT). To date, only one permit has been granted. The FY 2002 estimate assumes that the other nine cameras become operational by FY 2002. In addition, Alarm Ordinance Violations are increased \$0.5 million as a result of the implementation of an annual alarm system registration fee and a gradually escalating fee schedule for establishments with more than two police responses to false alarms per year. General District Court fines are expected to increase \$0.3 million based on historical growth in this category.

GENERAL FUND REVENUE OVERVIEW

STATE AND FEDERAL SHARED PUBLIC ASSISTANCE

FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
\$66,550,044	\$67,488,356	\$72,542,485	\$71,895,805	(\$646,680)	-0.89%

The FY 2002 estimate for State and Federal Shared Public Assistance is \$71,895,805, a decrease of \$646,680, or 0.9 percent, from the FY 2002 Advertised Budget Plan estimate. This decrease is due to a State mandated change in Comprehensive Services Act policy that no longer allows reimbursement for special education related transportation expenses. This decrease is consistent with the revenue reduction included in the FY 2001 Third Quarter Review.

The State allocation for public assistance to localities is calculated as follows: eligible local expenditures for Personnel Services, Operating Expenses, Capital Equipment, as well as most welfare payments budgeted within the agency, are based upon funding allocations which are developed by the Virginia Department of Social Services (DSS). The DSS reviews proposed expenditure funding levels for reimbursement of eligible programs in each local agency's budget, calculates the amount of estimated federal pass-through funding to be received, and then develops an allocation for each local agency. This allocation represents the State approved expenditure level upon which local revenue projections are based. The total FY 2002 revenue amount includes \$38,130,118 in anticipated pass-through revenue from the Federal Government and \$33,765,687 in revenue from the Commonwealth, based upon the current allocation.

OTHER REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT¹

FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
\$52,110,501	\$56,187,980	\$54,890,370	\$60,295,608	\$5,405,238	9.85%

¹ Excludes Personal Property Taxes that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998. See the "Personal Property Tax - Current" heading in this section.

The FY 2002 estimate of \$60,295,608 represents an increase of \$5,405,238 or 9.9 percent over the FY 2002 Advertised Budget Plan. Of this increase \$3.1 million is a result of construction reimbursement from the Commonwealth of Virginia for the Juvenile Detention Center. As noted in the FY 2001 Third Quarter Review, this reimbursement will not be received in FY 2001, but is expected in FY 2002. In addition, HB599 Law Enforcement funding is anticipated to increase \$2.3 million. The FY 2002 Advertised Budget Plan had assumed no growth in this funding over the FY 2001 level pending General Assembly action. During State budget deliberations, this funding stream was reduced from the level originally projected by the State due to lower than projected State revenue estimates. However, the lower State estimate represents an increase of 6.9 percent over the County's FY 2001 level of funding.

GENERAL FUND REVENUE OVERVIEW

RECOVERED COSTS / OTHER REVENUE

FY 2000 Actual	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Increase/ (Decrease)	Percent Change
\$11,081,962	\$5,627,093	\$5,054,588	\$5,778,390	\$723,802	14.32%

The FY 2002 estimate for Recovered Costs and Other Revenue is \$5,778,390, an increase of \$723,802, or 14.3 percent over the FY 2002 Advertised Budget Plan estimate. A reduction in City of Fairfax Shared Government Expenses that was anticipated in the FY 2002 Advertised Budget Plan will not occur as no adjustments are expected in the City-County contract.

The reduction in FY 2001 revenues in this category from the FY 2000 actual is due to one-time revenues received in FY 2000. FY 2000 revenue includes \$2.0 million in Litigation Proceeds as a result of an unexpected settlement of a 1985 lawsuit involving property damage due to asbestos. In addition, one-time revenues of \$3.9 million were received in FY 2000 associated with the final accounting of the County's contract with the former life insurance vendor. A reconciliation of the contingency reserve for the County's group policy determined that the County was due a refund of residual monies paid into a contingency reserve over the term of the contract.